



# Berkshire

## DIVIDEND STRATEGY

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**Dividend Growth Commentary**  
1Q 2024

## FIRST QUARTER 2024: SPRINGING AHEAD

April 2024

We are pleased to share updates on the Berkshire Dividend Strategy. The first quarter included many positive performance trends. Several companies announced healthy dividend increases, perhaps indicating growth rates may be re-accelerating. The portfolio also registered a solid appreciation. Let's take a closer look at these developments...

### Q1 DIVIDEND INCREASES

#### Are Dividend Growth Rates Re-accelerating?

- 03/19/24 - [JPMorgan Increases Dividend by 9.5%](#)
- 02/22/24 - [Chubb Increases Dividend by 5.8%](#)
- 02/20/24 - [Walmart Increases Dividend by 9%](#)
- 02/16/24 - [PPL Corp Increases Dividend by 7.3%](#)
- 02/14/24 - [Cisco Systems Increases Dividend by 3%](#)
- 02/09/24 - [PepsiCo Increases Dividend by 7.1%](#)
- 02/02/24 - [Chevron Increases Dividend by 8%](#)

It's worth noting a bank such as JPMorgan, a historically slow dividend grower like Walmart, and a recent dividend cutter such as PPL Corp saw notable increases in their dividends. This shows the potential for growth and resilience within our dividend strategy.

#### General Market Narrative

The equity rally continues to roll on, leaving us to question if we have canceled the recession. While consumer price index (CPI) remains hot, yields are on the rise, with the yield curve showing less inversion. Additionally, Nvidia maintains its dominant position in the market, but we are witnessing some cooling off in the performance of magnificent 7 stocks like TSLA and AAPL.

Berkshire Dividend Portfolio has performed well, delivering a solid increase YTD that's roughly in line with value-focused, equity income strategies. There is evidence the market is broadening away from just a few mega cap tech stocks that have dominated the index. The return of the equal weighted S&P 500 index, which is more reflective of how a wide basket of stocks is performing, is now generating returns more closely aligned with the cap weighted S&P 500 which is dominated by a few large growth stocks.

Despite growth still being on top, we encourage you to stick with us as we the tides may be turning toward dividend-oriented strategies.

### SIGNS OF THE TIMES

#### Top Read Stories on Bloomberg YTD

We have been closely following some of the top-read stories on Bloomberg this year, as they offer valuable insights into the market environment:

Berkshire Asset Management, LLC (Berkshire) is a fee based, SEC registered advisory firm serving the portfolio management needs of high net worth and institutional clients. Our guiding principle is a belief that success can be achieved by combining rigorous, well-crafted investment processes with an exceptional level of client service and attention to detail. Asset Management with a Difference... Diligence, Integrity and Focus. Berkshire Asset Management, Inc. was formed in 1986 as a SEC registered investment adviser. In 1999 the company was sold to Legg Mason. In 2007, senior leadership repurchased the firm, forming Berkshire Asset Management, LLC, the company built to serve you today.

#### IN THIS REPORT

- Springing Ahead
- Dividend Increases
- Signs of the Times
- Sectors and Stocks of Interest

- "A \$560 Billion Property Warning Hits Bands from NY to Tokyo" (02.01.24): This warning highlights potential risks in the real estate sector across major cities.
- "Nvidia Rises Most in About Nine Months as AI Drives Sales" (02.22.24): The growth in AI sales has propelled Nvidia's performance in recent times.
- "NY Community Bancorp Plunges as Real Estate Risks Jolt Market" (01.31.24): Real estate risks have had an impact on NY Community Bancorp.
- Additionally, we give an honorable mention to the Harvard Plagiarism Scandal, which has gained attention as the 14th most read story.

(Source: Bloomberg)

Apart from the top-read stories on Bloomberg, we have been closely monitoring some other intriguing developments this quarter:

- Meta (formerly Facebook) announced its first dividend, sparking interest among investors who seek dividend-paying opportunities. At the right valuation, this could be an interesting stock for dividend investors.
- Japanese stocks have been on the move higher, raising questions about potential changes in world market leadership. Is Europe the next region to watch?
- The CRB index (Commodity Research Bureau Index) has shown an upward trajectory, particularly in energy and other industrial commodities giving rise to discussions the battle against inflation may not be over, and bond yields are rising in turn.
- While oil prices are moving higher, many mega-cap companies have yet to catch up with the rally in the underlying commodity.
- Bank regulation has turned out to be less restrictive than initially feared, which may provide opportunities within the financial sector -- a sector which has started to "perk up" after a rough few years.
- The potential ban of TikTok has been a topic of interest, which may have wide-ranging implications.
- Bitcoin made a strong comeback, capturing the attention of investors once again.

### Looming Threats? (in rough order of magnitude)

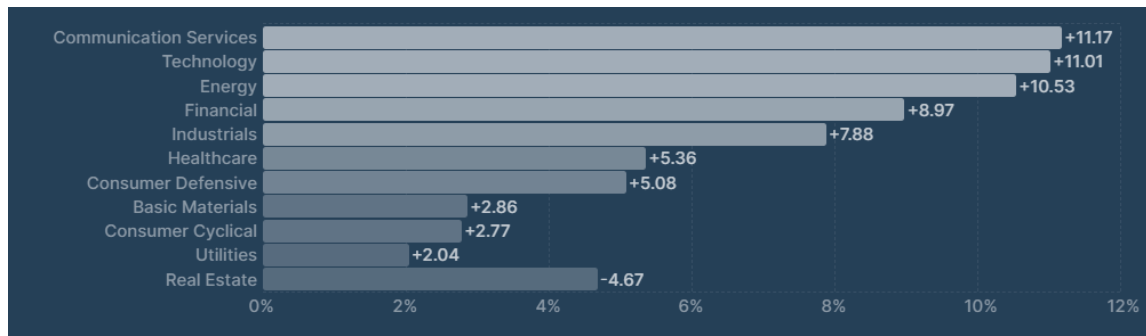
As responsible asset managers, we also keep an eye on potential threats and risks in the market. Some significant concerns we are monitoring include:

- Inflation and rising interest rates have the potential to impact the market and the overall economy.
- Commercial real estate is an area of focus, as changing dynamics can impact valuations and investment opportunities.
- The possibility of a China recession is a point of concern, given China's significant role in the global economy.
- Anecdotal reports suggest a significant housing inventory in hot markets like Dallas and Florida, as well as notable markdowns in NYC apartments. Additionally, there is an alarming record number of autos in a negative equity position.

## SECTORS AND STOCKS OF INTEREST

### A Deeper Dive into the Berkshire Portfolio

S&P 500 Sector Performance Q1 2024



Considering sector performance year-to-date, we are pleased to see Financials and Energy have emerged as the third and fourth best performing sector (Source: Finviz). These are two key “value” sectors and the strength highlights the potential opportunities moving forward.

### **Berkshire's Top 5 Performers YTD**

Within our portfolio, there have been notable performers this year. The top five performers for Berkshire YTD include: Waste Management, AbbVie, Qualcomm, Merck, Emerson Electric.

We are also pleased with other notable wins, such as the performance of our recent Schwab purchase, the rebound of EOG, and Deere's continued progress in embracing high-tech advancements.

### **Berkshire's Bottom 5 Performers YTD**

While some investments have shown outstanding performance, it's important to acknowledge the challenges faced by certain companies. The bottom five performers in our portfolio YTD include: Mondelez, Honeywell, McDonald's, Apple, WP Carey.

### **Rebound Stories... Ongoing and Developing**

Amidst these varied performances, we have seen some remarkable recoveries. Key examples include regional banks, which have experienced significant rebounds of 30-50% since October. (Source: Bloomberg) Norfolk Southern has also seen a sharp increase in value following the East Palestine disaster. Additionally, PP&L has broken out to new highs after a dividend cut in 2022. In the healthcare sector, select pharmaceutical companies are showing solid rebounds after a sluggish 2023. Are Pfizer (PFE) and Bristol-Myers Squibb (BMY) next?

All in all, this quarter has been promising for the market, dividend stocks, and our valued Berkshire clients. No one knows the short-term direction of the market, but we believe the quality of our companies, dividend income and growth of income and attractive valuations continue to make the Berkshire Dividend Strategy a foundational component of portfolios.

## **CONTACT BERKSHIRE:**

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